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HONORABLE WHITMAN L. HOLT  
HEARING DATE: April 14, 2021  
HEARING TIME: 11:00 a.m. PST  
RESPONSE DUE: April 12, 2021  
LOCATION: Telephonic

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UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON

In re

EASTERDAY RANCHES, INC., *et al.*  
Debtors.<sup>1</sup>

Chapter 11

Lead Case No. 21-00141-11  
Jointly Administered

**DEBTORS' RESPONSE TO FEED  
SUPPLIERS' AMENDED MOTION FOR  
ADEQUATE PROTECTION**

<sup>1</sup> The Debtors along with their case numbers are as follows: Easterday Ranches, Inc. (21-00141) and Easterday Farms, a Washington general partnership (21-00176).

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1 The above-captioned debtors and debtors in possession (together, the “Debtors”)   
2 in the above-captioned chapter 11 cases hereby file this response to the *Amended Motion*   
3 *for Adequate Protection* [Dkt. No. 480] (the “Amended Motion”) filed on March 26,   
4 2021 by Weyns Farms, LLC (“Weyns”) and Sunray Farms, LLC (“Sunray”), which   
5 amended the *Motion for Adequate Protection and Objection to Debtors’ Final Motion*   
6 *for Use of Cash Collateral* [Dkt. 273] (the “Original Motion”) filed on March 4, 2021   
7 by Weyns and Sunray. The Amended Motion and the Original Motion are together   
8 referenced herein as the “Adequate Protection Motion”. Weyns, Sunray, Brad Curtis   
9 Farms, LLC (“Curtis”), and J.R. Simplot Company, dba Simplot Western   
10 Stockmen’s (“Simplot”) are together referenced herein as the “Feed Suppliers”. Curtis   
11 and Simplot each filed joinders to the Original Motion [Dkt. Nos. 323 and 283], but   
12 have not joined in the Amended Motion as of the date hereof. Through the Adequate   
13 Protection Motion, the Feed Suppliers seek adequate protection of their asserted secured   
14 interests with respect to the Feed (defined below). In support of this response, the   
15 Debtors respectfully state as follows:

## 16 **RELEVANT BACKGROUND**

### 17 **A. General Background**

18 On February 1, 2021, Debtor Easterday Ranches, Inc. filed a voluntary petition   
19 for relief under chapter 11 of the Bankruptcy Code before this court.

20 On February 8, 2021, Debtor Easterday Farms, a Washington general partnership   
21 (“Farms”), also filed a voluntary petition for relief under chapter 11 of the Bankruptcy   
22 Code before this court.

23 The Debtors continue to operate and manage their business and affairs as debtors   
24 in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. Two   
25 separate Official Committees of Unsecured Creditors have been appointed in the   
26 Debtors’ cases by the Office of the U.S. Trustee.

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1 Additional information about the Debtors' historical business operations, capital  
2 structure, and the events leading up to the commencement of these chapter 11 cases, is  
3 set forth in the *Declaration of T. Scott Avila in Support of First Day Motions* [Docket  
4 No. 93], which is incorporated herein by reference.

5 **B. The Debtors' Relationship With the Feed Suppliers**

6 Each of the Feed Suppliers delivered farm products for feed (the "Feed") to or  
7 for the benefit of the Debtors on a prepetition basis as follows:

- 8 a. Weyns delivered approximately \$2,222,898 worth of Feed for which  
9 Weyns has not been paid;
- 10 b. Sunray delivered approximately \$136,905 worth of Feed for which  
11 Sunray has not been paid;
- 12 c. Curtis delivered approximately \$112,140 worth of Feed for which  
13 Curtis has not been paid; and
- 14 d. Simplot delivered approximately \$66,778 worth of Feed for which  
15 Simplot has not been paid.

16 The Feed Suppliers have filed preparer liens pursuant to RCW 60.13 et seq.  
17 Washington Trust Bank ("Washington Trust") asserts a lien that is senior to the Feed  
18 Suppliers as to at least a portion of the Feed.

19 Certain of the Feed was consumed prepetition (the "Prepetition Feed") and  
20 certain of the Feed will constitute excess feed that Farms is prepared to return to the  
21 Feed Suppliers, as applicable (the "Excess Feed").

22 Pursuant to prior order of the court authorizing use of cash collateral on a final  
23 basis [Dkt. No.471], Farms was required to create a segregated debtor in possession  
24 account in the amount of \$1,358,000 (the "Segregated Account") on account of the  
25 asserted claims of the Feed Suppliers for Feed consumed postpetition (the "Postpetition  
26 Feed").

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1 The Debtors have negotiated with the Feed Suppliers in an effort to address  
2 certain claims of the Feed Suppliers with respect to the Postpetition Feed and to provide  
3 them with adequate protection to resolve the Adequate Protection Motion, but no final  
4 agreement has been reached, primarily due to the competing claims of Washington  
5 Trust.

### 6 **DEBTORS' RESPONSE**

7 Whether as part of a consensual resolution or through an order of the court, the  
8 Debtors are prepared to provide adequate protection to the Feed Suppliers in the form  
9 of the following:

10 1. Postpetition Payments by Farms. Farms will pay the Feed Suppliers, as  
11 applicable, for the Postpetition Feed as it is consumed on a monthly basis from the  
12 Segregated Account, net of any amount that is junior to the liens of Washington Trust.  
13 The amount subject to such asserted senior liens of Washington Trust is an intercreditor  
14 issue between Washington Trust and any applicable Feed Supplier.

15 2. Return of Excess Feed. Farms will return the Excess Feed to Weyns and  
16 Sunray, which is estimated to be worth approximately \$890,544. Of this amount,  
17 Weyns would provide a credit of \$315,006 for the Excess Feed located at the Weyns  
18 feedlot. Such credit would be applied to reduce any remaining lien claims of Weyns  
19 against either of the Debtors. The Excess Feed located at the Allred feedlot would be  
20 dealt with as follows: (a) the corn silage would be hauled off the premises by Sunray  
21 and would be weighed and tested for moisture (Sunray would provide a credit of  
22 \$47.00/ton assuming sixty-eight percent (68%) moisture; to the extent the moisture  
23 varies, the price would be adjusted, upward or downward, in accordance with the  
24  
25  
26

1 formulas provided on **Exhibit 1** hereto);<sup>2</sup> (b) the high moisture corn would be hauled  
2 off the premises by either Weyns and/or Sunray and would be weighed and tested for  
3 moisture (Weyns and Sunray, in such proportions as they may decide amongst  
4 themselves, would credit \$175.00/ton assuming twenty-eight percent (28%) moisture;  
5 to the extent the moisture varies, the price would be adjusted, upward or downward, in  
6 accordance with the formulas provided on **Exhibit 1** hereto). The foregoing credits  
7 would be applied to reduce any remaining lien claims of Weyns and Sunray against  
8 either of the Debtors. None of the expenses associated with hauling, weighing, or  
9 testing the corn silage or high moisture corn would be borne by the Debtors. Further,  
10 the Debtors would have no responsibility for (a) storage or rent charges with respect to  
11 the Allred feedlot after April 30, 2021 and (b) storage or rent charges whatsoever with  
12 respect to the Weyns feedlot.

13 3. **Reservation of Rights.** Except as expressly set forth herein, any liens,  
14 rights, claims and defenses of the Feed Suppliers with respect to either the Prepetition  
15 Feed or Postpetition Feed, and any and all defenses of the Debtors or any other party in  
16 interest related to such matters would be expressly reserved

17 The above adequate protection is generally consistent with the form of stipulation  
18 that the Debtors and the Feed Suppliers had been in the process of negotiating, except  
19 that it also takes into account the competing lien claims of Washington Trust.

20 Based on the foregoing, the Debtors respectfully request that the court only  
21 approve the Adequate Protection Motion to the extent set forth herein and grant such  
22 other and further relief in favor of the Debtors and their estates as may be just and proper  
23 under the circumstances.

24  
25 <sup>2</sup> The moisture adjusting formulas referenced herein are based upon the form of  
26 stipulation that the Debtors and the Feed Suppliers had been in the process of  
negotiating.

1 Dated: April 12, 2021

BUSH KORNFELD LLP

2 /s/ Thomas A. Buford, III

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27 DEBTORS' RESPONSE TO FEED SUPPLIERS'  
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# **Exhibit 1**

## **Moisture Adjusting Formulas**

### **High Moisture corn price adjusting formula for moisture variance from 28% moisture**

$$\text{HMC price} = \frac{100 - \text{actual moisture}}{100 - \text{desired moisture}}$$

$$\begin{aligned} \text{Example: } \$175 &= \frac{100 - 30}{100 - 28} \\ \$175 \times 0.97 &= \$169.75 \text{ per ton for corn at 30 \% moisture} \end{aligned}$$

### **Silage Price adjusting formula for moisture variance from 68%**

$$\text{Silage Price} = \frac{100 - \text{actual moisture}}{100 - \text{desired moisture}}$$

$$\begin{aligned} \text{Example: } \$47 &= \frac{100 - 65}{100 - 68} \\ \$47 \times 1.09 &= \$51.23 \text{ per ton for silage at 65\% moisture} \end{aligned}$$